

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SPC-03 SAM-01 AID-20 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 DODE-00 PM-07 H-03 L-03 PA-04 PRS-01

USIA-15 INT-08 FEA-02 SCI-06 NEA-11 DRC-01 /204 W

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R 041645Z FEB 74

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 9809

INFO AMEMBASSY LUXEMBOURG

AMEMBASSY THE HAGUE

USMISSION OECD PARIS

USMISSION EC BRUSSELS UNN

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STATE ALSO FOR T/IEP

E. O. 11652: N/A

TAGS: ENRG, BE

SUBJECT: ENERGY: CONTROVERSY OVER PETROLEUM PRICES

1. SUMMARY: BELGIAN PETROLEUM INDUSTRY IS CLAIMING LARGE LOSSES AS RESULT OF RECENT INCREASE IN CRUDE PRICES AND REFUSAL GOB TO RAISE RETAIL PRICES. ISSUE HAS BECOME PUBLIC AND INDUSTRY IS CONSIDERING ACTION IF GOB DOES NOT AGREE TO PRICE RISE. ONE AMERICAN COMPANY HAS APPROACHED EMBASSY TO INFORM US OF SITUATION WHICH HE CONSIDERS SERIOUS. WHILE AVOIDING TAKING SIDES, WE POINTED OUT THAT CURRENT POLITICAL SITUATION IN BELGIUM WOULD MAKE IT DIFFICULT FOR ANY PARTY TO SUPPORT PRICE RISE AT THIS TIME. END SUMMARY.

2. BELGIAN PETROLEUM INDUSTRY IS SEEKING GOB APPROVAL FOR
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INCREASE IN RETAIL PETROLEUM PRODUCTS PRICE. INDUSTRY

CLAIMS THAT CURRENT PRICE STRUCTURE, LAST CHANGED IN NOVEMBER 1973, OBVIOUSLY INADEQUATE IN VIEW OF RECENT DRASTIC INCREASE IN COST OF CRUDE PETROLEUM. INDUSTRY HAS APPEALED TO GOB PRICE CONTROL COMMISSION WHICH HAS SO FAR REFUSED TO ACT. NEXT MEETING OF COMMISSION SCHEDULED FOR FEBRUARY 5.

3. MEANWHILE INDUSTRY HAS COME UNDER SEVERE ATTACK BY SOCIALIST PARTY NEWSPAPER "LE PEUPLE". UNIONS ALSO CRITICIZING INDUSTRY'S EFFORTS BY POINTING TO RECENT REVELATIONS OF LAST YEAR'S HIGH PROFITS FOR OIL COMPANIES. INDUSTRY REPRESENTATIVES CLAIM THAT RESPONSIBLE GOB OFFICIALS, I. E., MINISTER ECON AFFAIRS CLAES AND MINECON AFFAIRS SEC-GEN BAEYENS, REFUSE TO SEE THEM. MEANWHILE THEY CLAIM INDUSTRY LOSSES ARE RUNNING APPROXIMATELY \$5 MILLION PER DAY AND THEY HAVE SAID (BOTH TO PRICE COMMISSION AND TO NEWSPAPERS) THAT UNLESS IMMEDIATE ACTION TAKEN TO RAISE PRICES, COMPANIES WILL BE FORCED TO CLOSE DOWN OPERATIONS IN BELGIUM.

4. HEAD OF ONE AMERICAN OIL COMPANY IN BELGIUM CALLED AT EMBASSY ON FEBRUARY 1 TO DISCUSS PROBLEM WHICH HE EMPHASIZED IS SERIOUS. HE CLAIMS LOSSES ARE INDEED HIGH AND COMPANY HEADQUARTERS CANNOT BE EXPECTED TO CONTINUE TO BEAR THEM. MAJOR HITCH, HE SAID, IS THAT SENIOR GOB OFFICIALS REFUSE TO MEET WITH INDUSTRY REPRESENTATIVES IN EFFORT TO WORK OUT NEW PRICING ARRANGEMENT.

5. WE ARE TOLD THAT GOB HAD ORDERED ALL COMPANIES WHO HAVE BEEN SUPPLYING BELGIUM MILITARY TO CONTINUE DELIVERIES AT CURRENT PRICES. GOB OFFICIALS POINTED OUT THAT PETROLEUM STOCKS IN COUNTRY HAVE BEEN UNDER GOVERNMENT CONTROL SINCE LAST FALL AND HIS ORDER CONSISTENT WITH PURPOSE OF GOVERNMENT CONTROL, I.E., INSURE THAT COUNTRY'S VITAL NEEDS ARE MET.

6. OUR AMERICAN OIL COMPANY INFORMANT TOLD US THAT INDUSTRY IS CONSIDERING UNILATERAL ACTION, E.G., RAISING PETROLEUM PRICES ON THEIR OWN, CUTTING DOWN OR PHASING OUT OPERATIONS, UNLESS GOVERNMENT INDICATES SOME WILLINGNESS TO COOPERATE).
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WHILE DISCLAIMING QUALIFICATIONS TO ADVISE INDUSTRY ON APPROPRIATE POLICIES, WE POINTED OUT THAT CURRENT POLITICAL SITUATION IN BELGIUM, WITH PARLIAMENTARY ELECTIONS SCHEDULED FOR MARCH 10, IS NOT BEST TIME FOR PRIVATE INDUSTRY TO CONFRONT GOVERNMENT WITH UNILATERAL ACTION ON PRICES DIRECTLY AFFECTING ALMOST EVERY BELGIAN CITIZEN, SINCE THIS IS A DECISION WHICH NONE OF THE POLITICAL PARTIES WOULD WELCOME. WE ALSO POINTED TO THREATS OF SOCIALISTS TO INCREASE GOVERNMENT CONTROL OF ENERGY

INDUSTRY AS A PART OF PARTY PROGRAM. WE EXPRESSED OPINION THAT GOB WOULD BE BETTER ABLE TO DEAL WITH ISSUE RATIONALLY AFTER MARCH 10 ELECTIONS.

7. COMMENT: PETROLEUM PRICES HAVE LONG BEEN CONTENTIOUS ISSUE IN BELGIUM WHERE COST OF LIVING INDEX IS MAJOR PRE-OCCUPATION OF POWERFUL UNIONS, MIDDLE CLASS ORGANIZATIONS, AND POLITICAL PARTIES. PRESENT SITUATION WITH ELECTION SCHEDULED FOR EARLY MARCH MAKES IT ALMOST IMPOSSIBLE FOR MEMBERS OF CARETAKER GOVERNMENT TO BECOME IDENTIFIED WITH INCREASE IN RETAIL PRICES. SOCIALIST PARTY, AS EVIDENCED BY CONTENTS OF ARTICLES IN PAST FEW DAYS IN THEIR NEWSPAPER, ARE USING ISSUE AS PROOF OF WORTHINESS OF THEIR PROJECT TO CREATE A GOVERNMENT-OWNED PETROLEUM REFINERY (IBRAMCO AFFAIR WHICH CAUSED FALL OF LEBURTON COALITION) AND TO SUPPORT THEIR DEMAND FOR GREATER GOVERNMENT PARTICIPATION IN THE ECONOMY.
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